



PORTFOLIO SERVICES

Market Update

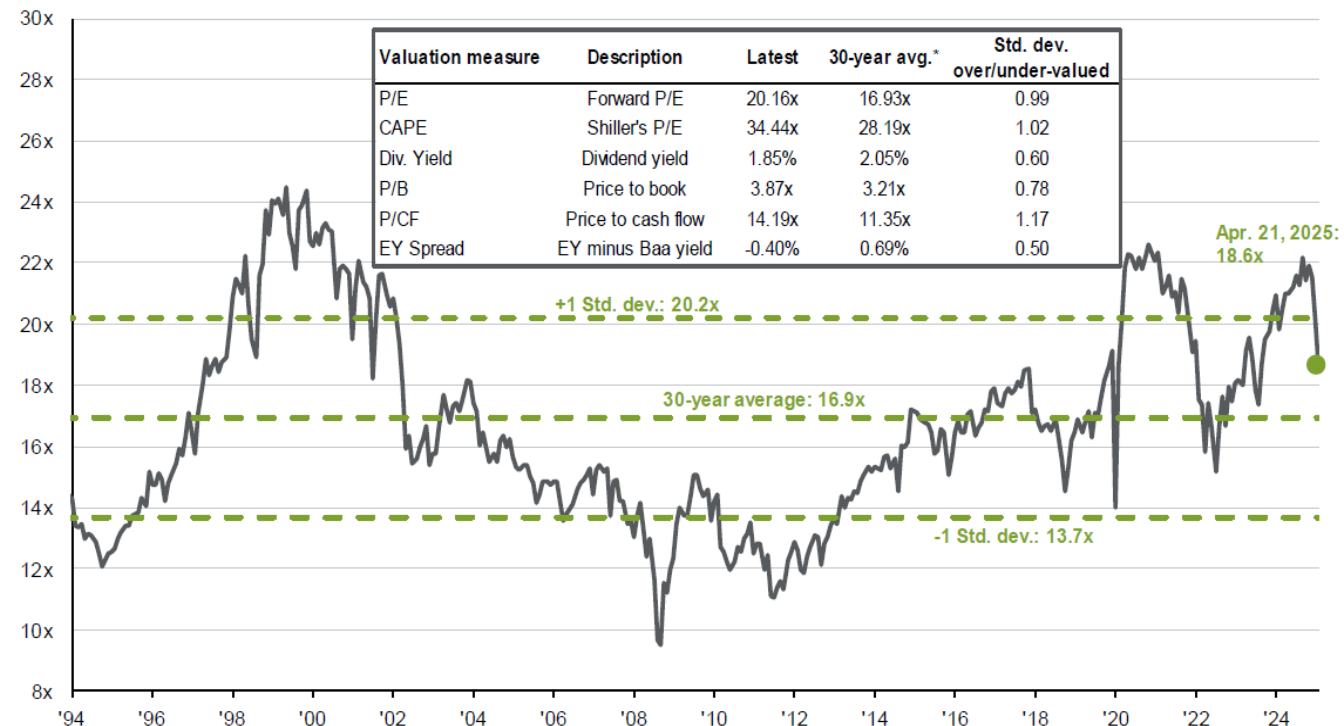
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S&P 500 valuation measures

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S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1994 and by FactSet since January 2022. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Bloomberg US corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability.

Guide to the Markets – U.S. Data are as of April 21, 2025.

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- The US economy entered 2025 with solid momentum. However, tariff whiplash, an equity market correction, and softening economic data have sparked fears about slowing growth and resurgent inflation. At the start of the year, solid growth, moderating inflation, and resilient corporate earnings pushed stocks to all-time highs. Now the outlook is more clouded.
- While US tech companies harnessing artificial intelligence were key drivers of equity market performance in 2024, they have lagged international equities this year, particularly in Europe.
- Coming into the year we knew trade policy, deficit reduction, immigration, taxes, and deregulation would be the key agenda items for the Trump Administration. Thus far, the focus has been squarely on trade policy utilizing tariffs, leading to heightened volatility in recent weeks.



Asset class returns

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2010–2024		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
Ann.	Vol.																
Large Cap	Small Cap	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Large Cap	Small Cap	REITs	Comdty.	Large Cap	Large Cap	DM Equity
13.9%	20.6%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	25.0%	7.9%
Small Cap	EM Equity	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	EM Equity	Large Cap	Cash	DM Equity	Small Cap	Comdty.
10.3%	17.9%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	18.9%	11.5%	4.8%
REITs	REITs	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Large Cap	Comdty.	High Yield	Small Cap	Asset Alloc.	High Yield
9.4%	16.8%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	10.0%	1.5%
Asset Alloc.	DM Equity	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	High Yield	Fixed Income
7.2%	16.5%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	14.1%	9.2%	1.4%
High Yield	Comdty.	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	EM Equity	Cash
5.9%	16.1%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	8.1%	1.3%
DM Equity	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	REITs	Comdty.	EM Equity
5.7%	15.1%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	5.4%	0.5%
EM Equity	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	High Yield	High Yield	Large Cap	EM Equity	Cash	Asset Alloc.
3.4%	10.4%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	5.3%	-2.9%
Fixed Income	High Yield	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	EM Equity	Fixed Income	REITs	REITs
2.4%	9.4%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	4.9%	-3.2%
Cash	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Comdty.	Comdty.	Fixed Income	Small Cap	Cash	DM Equity	Large Cap
1.2%	4.7%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	4.3%	-11.9%
Comdty.	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	REITs	EM Equity	REITs	Comdty.	Fixed Income	Small Cap
-1.0%	0.9%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	1.3%	-17.2%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2024. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of April 21, 2025.

- The asset class returns page shows a much different picture this year compared to the last 2 years. International developed equities are leading the way followed by commodities. Fixed income markets have experienced significant volatility but remain positive. Meanwhile, US small caps and to a lesser extent large caps are lagging, after strong performance in recent years.
- Looking ahead, volatility is likely to continue throughout 2025. Investors who proactively built diversified portfolios are weathering this period well and are best positioned to take advantage of opportunities that may arise.
- While it's tempting to sell when markets are turbulent, staying in the market over time provides the best chance of achieving long term goals while smoothing out the ride.

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Investing Principles



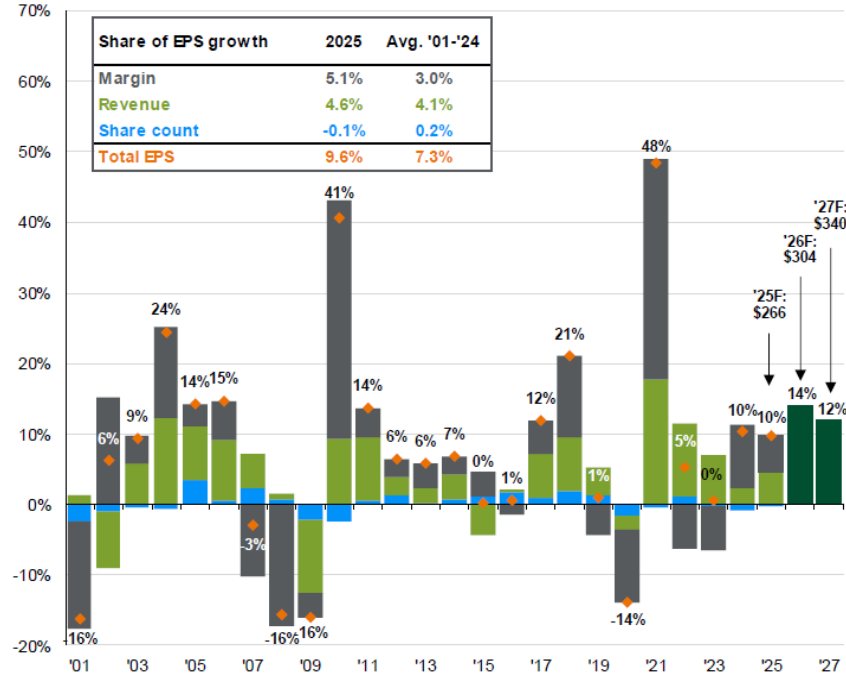


Sources of earnings growth and profit margins

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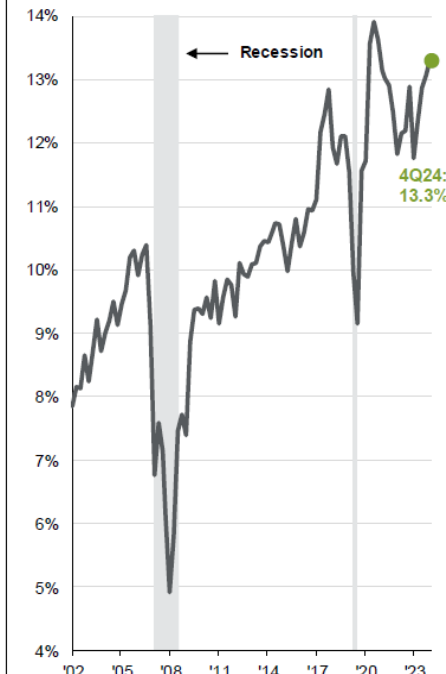
S&P 500 year-over-year pro forma EPS growth

Annual growth broken into changes in revenue, profit margin and share count



S&P 500 profit margins

Quarterly earnings/sales



- S&P 500 earnings grew 10% in 2024, capped off by an impressive Q4 earnings season that saw profits rise roughly 18% year over year. And in an encouraging sign, earnings continued to broaden outside of the Mag 7. With Q1 earnings season underway, results thus far indicate growth of around 7%, which is solid but a little weaker than forecast.
- However, the true focus this earnings season isn't Q1 results, it's forward-looking guidance. The potential impact of tariffs on economic growth and inflation is still unclear, and investors are anxious to hear how firms are planning to navigate this environment.
- Against a backdrop of uncertainty, markets are already sensitive. In times like these, investors can use active management to remain flexible. With market narratives changing at a fast pace there should be considerable opportunities for disciplined active investors.

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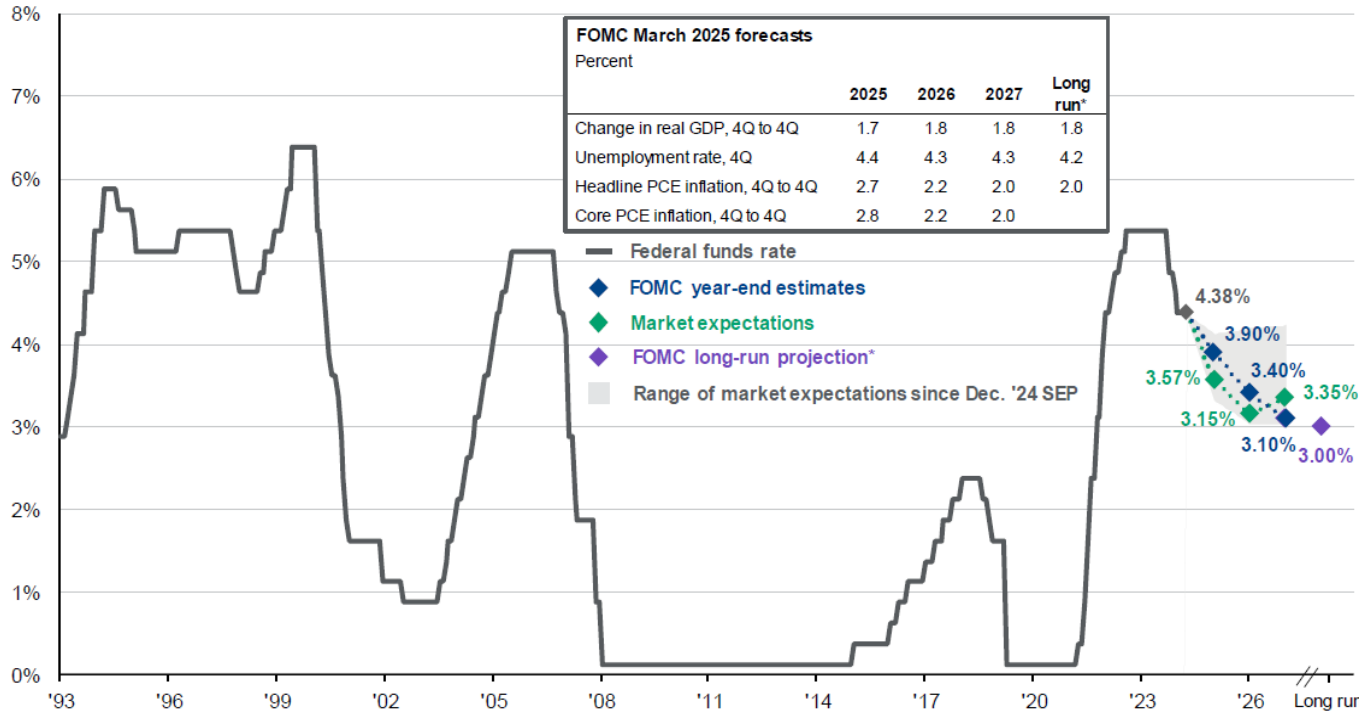


The Fed and interest rates

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Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of April 21, 2025.

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- The Federal Reserve finds itself in a challenging position currently. After delivering 100 basis points of rate cuts in 2024, the Fed is confronted by slowing economic activity and stalling inflation progress in early 2025.
- At its last meeting, the Fed kept the fed funds rate steady at 4.25 to 4.5%. With tariffs top of mind, the Fed's updated projections reflected expectations for slower growth and higher inflation in the near-term.
- Today, markets are pricing in 3 to 4 rate cuts in 2025, but this likely reflects an average of two scenarios. Should inflation remain elevated and the economy resilient, one to two cuts seems likely. On the other hand, a more serious growth downturn could prompt more aggressive cuts as long tariffs don't spike inflation. Ultimately, the impact of trade policy is still unknown, and the pace of rate cuts will hinge on the incoming economic data.

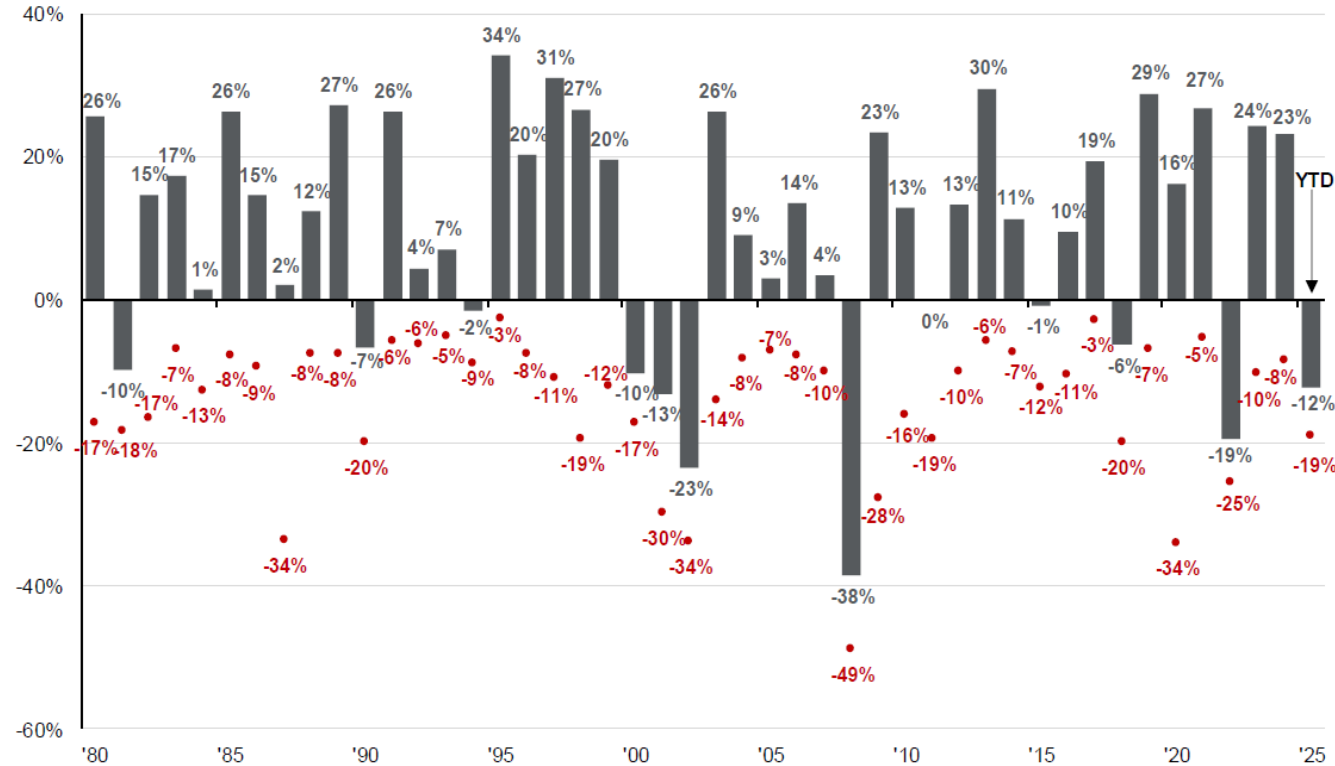


Annual returns and intra-year declines

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S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%.

Guide to the Markets – U.S. Data are as of April 21, 2025.

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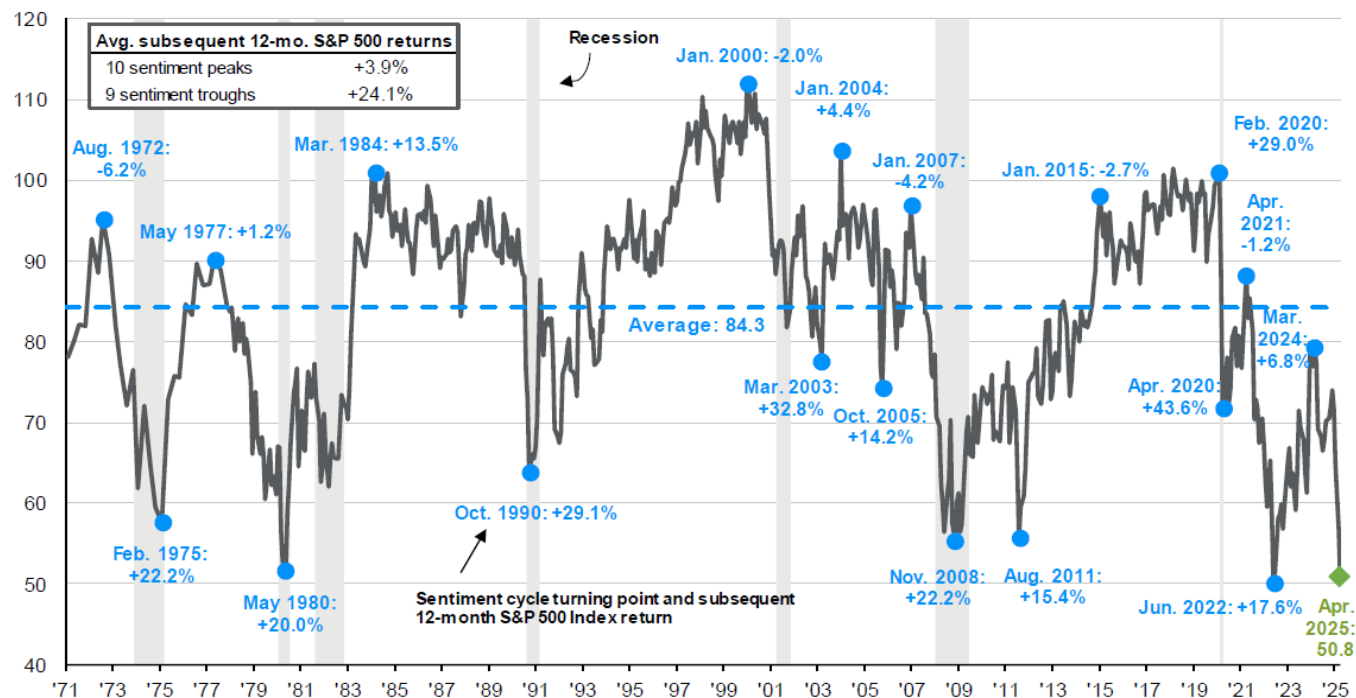
- During periods of volatility and market stress, investors often ask whether this time is different than past market cycles. While, history may not repeat itself, it does rhyme. And while we've experienced considerable volatility so far in 2025, it doesn't fall outside of historical ranges for intra-year moves.
- As shown here, despite average intra-year declines of 14.1%, annual returns for the S&P 500 were positive in 34 of 45 years.
- Particularly in an environment when market dynamics can shift quickly, like they have in recent weeks, it's important to avoid knee-jerk reactions and the temptation to be overly tactical. Proper diversification and downside risk management are benefitting investors with well constructed portfolios who are sticking to their long-term financial plans.



Consumer confidence and the stock market

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Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management. Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is not a reliable indicator of current and future results. Guide to the Markets – U.S. Data are as of April 21, 2025.

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- Consumer sentiment has plummeted from its high reached in 2024 as the Trump Administration's policy priorities, particularly around trade have lead to significant uncertainty about the potential impact on economic growth and inflation.
- While trade policy, deficit reduction, and immigration policy have been in focus thus far, more market friendly policies may be on the horizon. Trade deals will likely begin to materialize out of the ongoing negotiations, and extension of tax cuts along with deregulatory initiatives are likely to receive more focus later in the year.
- Although the natural tendency for investors is to sell risk assets when feeling gloomy or worried about the outlook, history suggests trying to time markets that way is a mistake. This page shows that lows in sentiment present significantly better entry points than buying when confidence is at a peak. In planning for the balance of 2025 and beyond, rather than trying to time the market, investors should focus on staying disciplined in diversified portfolios.